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MONTANA LEGISLATIVE HISTORY

Chapter 346 Session L 1979
Bill House _____ Senate 94

History and final status sheet NA
Introduced bill X
Fiscal note NA
Third reading bill X
Final version of bill X

House Committee on Business & Industry

Hearing date(s)* 3-9

Executive action (vote) date(s)* 3-9

Comm. Report NA

Floor 2nd reading & vote 3-13

Floor 3rd reading & vote 3-15

Senate Committee on Business & Industry

Hearing date(s)* 1-27

Executive action (vote) date(s)* 1-27

Comm. Report 1-27

Floor 2nd reading & vote 2-1

Floor 3rd reading & vote 2-3

Conference or Free Conference Comm. _____ Yes X No

Hearing date(s)* _____

Executive action (vote) date(s)* _____

* Includes minutes, exhibits, roll call, visitors register, and vote sheet if available.

Did this bill originate in an interim committee? _____ Yes X No

Committee _____ Report _____

NOTES: An act to revise law relating to standard valuation & standard
nonforfeiture in life insurance



Compiled by: rg

Date: 11-2-2016

1 Senate BILL NO. 94
 2 INTRODUCED BY Waller Dyer
 3 BY REQUEST OF THE COMMISSIONER OF INSURANCE
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW
 6 RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE
 7 IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUITY
 8 MORTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION
 9 OF ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS
 10 RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES;
 11 AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201,
 12 33-20-206, AND 33-20-207, MCA."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 33-2-523, MCA, is amended to read:

16 "33-2-523. Contracts on or after the operative date of
 17 33-20-213 -- valuation. (1) This section shall apply to only
 18 those policies and contracts issued on or after the
 19 operative date of 33-20-213, except as otherwise provided in
 20 33-2-524 for group annuity and pure endowment contracts
 21 issued prior to that date.

22 (2) Except as otherwise provided in 33-2-524, the
 23 minimum standard for the valuation of all such policies and
 24 contracts shall be the commissioner's reserve valuation
 25 method ~~methods~~ defined in 33-2-525, and 32-2-526(3). 32

1 ~~interest for group annuity and pure endowment contracts and~~
 2 ~~3 1/2% interest for all other such policies and contracts~~
 3 ~~or in the case of policies and contracts, other than annuity~~
 4 ~~and pure endowment contracts, issued on or after March 17,~~
 5 ~~1973, and prior to January 1, 1986, 4% interest for such~~
 6 ~~policies issued prior to July 1, 1979, and 4 1/2% interest~~
 7 ~~for such policies issued on or after July 1, 1979, and the~~
 8 following tables:

9 (a) for all ordinary policies of life insurance issued
 10 on the standard basis, excluding any disability and
 11 accidental death benefits in such policies, the
 12 commissioner's 1941 standard ordinary mortality table for
 13 such policies issued prior to the operative date of
 14 33-20-206, as amended, and the commissioner's 1958 standard
 15 ordinary mortality table for such policies issued on or
 16 after that operative date, except that for any category of
 17 such policies issued on female risks, modified net premiums
 18 and present values, referred to in 33-2-525 and 33-2-526,
 19 may be calculated, at the option of the insurer with the
 20 approval of the commissioner, according to an age younger
 21 than the actual age of the insured;

22 (b) for all industrial life insurance policies issued
 23 on the standard basis, excluding any disability and
 24 accidental death benefits in such policies, the 1941
 25 standard industrial mortality table for such policies issued

1 prior to the operative date of 33-20-207, as amended; and
 2 the commissioner's 1961 standard industrial mortality table
 3 for such policies issued on or after that operative date;

4 (c) for individual annuity and pure endowment
 5 contracts, excluding any disability and accidental death
 6 benefits in such policies, the 1937 standard annuity
 7 mortality table or, at the option of the insurer, the
 8 annuity mortality table for 1949, ultimate, or any
 9 modification of either of these tables approved by the
 10 commissioner;

11 (d) for group annuity and pure endowment contracts,
 12 excluding any disability and accidental death benefits in
 13 such policies, the group annuity mortality table for 1951,
 14 any modification of such table approved by the commissioner,
 15 or, at the option of the insurer, any of the tables or
 16 modifications of tables specified for individual annuity and
 17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
 19 or supplementary to ordinary policies or contracts;

20 (A) for policies or contracts issued on or after
 21 January 1, 1966, the tables of period 2 disablement rates
 22 and the 1939 to 1950 termination rates of the 1952
 23 disability study of the society of actuaries, with due
 24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

1 January 1, 1961, and prior to January 1, 1966, either such
 2 tables or, at the option of the insurer, the class 3
 3 disability table (1926); and

4 (C) for policies issued prior to January 1, 1961, the
 5 class 3 disability table (1926);

6 (ii) any such table shall, for active lives, be
 7 combined with a mortality table permitted for calculating
 8 the reserves for life insurance policies;

9 (f) (i) for accidental death benefits in or
 10 supplementary to policies;

11 (A) for policies issued on or after January 1, 1966,
 12 the 1959 accidental death benefits table;

13 (B) for policies issued on or after January 1, 1961,
 14 and prior to January 1, 1966, either such table or, at the
 15 option of the insurer, the intercompany double indemnity
 16 mortality table; and

17 (C) for policies issued prior to January 1, 1961, the
 18 intercompany double indemnity mortality table;

19 (ii) either table shall be combined with a mortality
 20 table permitted for calculating the reserves for life
 21 insurance policies;

22 (g) for group life insurance, life insurance issued on
 23 the substandard basis and other special benefits, such
 24 tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to read:

1 "33-2-524. Individual and group annuity and pure
2 endowment contracts -- valuation. (1) The minimum standard
3 for the valuation of all individual annuity and pure
4 endowment contracts issued on or after [the operative date
5 of this section], as defined herein, and for all annuities
6 and pure endowments purchased on or after that operative
7 date, under group annuity and pure endowment contracts shall
8 be the commissioner's reserve valuation method ~~methods~~
9 defined in 33-2-525 and the following tables and interest
10 rates:

11 (a) for individual annuity and pure endowment
12 contracts issued prior to ~~January 1, 1986~~ July 1, 1979,
13 excluding any disability and accidental death benefits in
14 such contracts, the 1971 individual annuity mortality table
15 or any modification of this table approved by the
16 commissioner and 6% interest for single premium immediate
17 annuity contracts and 4% interest for all other individual
18 annuity and pure endowment contracts;

19 (b) ~~for individual annuity and pure endowment~~
20 ~~contracts issued on or after January 1, 1986, excluding any~~
21 ~~disability and accidental death benefits in such contracts,~~
22 ~~the 1971 individual annuity mortality table or any~~
23 ~~modification of the table approved by the commissioner and~~
24 ~~3 1/2% interest~~ for individual single premium immediate
25 annuity contracts issued on or after July 1, 1979, excluding

1 any disability and accidental death benefits in such
2 contracts, the 1971 individual annuity mortality table or
3 any modification of this table approved by the commissioner
4 and 7 1/2% interest;

5 (c) for individual annuity and pure endowment
6 contracts issued on or after July 1, 1979, other than single
7 premium immediate annuity contracts, excluding any
8 disability and accidental death benefits in such contracts,
9 the 1971 individual annuity mortality table or any
10 modification of this table approved by the commissioner and
11 5 1/2% interest for single premium deferred annuity and pure
12 endowment contracts and 4 1/2% interest for all other such
13 individual annuity and pure endowment contracts;

14 ~~(d)~~ (d) for all annuities and pure endowments purchased
15 prior to ~~January 1, 1986~~ July 1, 1979, under group annuity
16 and pure endowment contracts, excluding any disability and
17 accidental death benefits purchased under such contracts,
18 the 1971 group annuity mortality table or any modification
19 of the table approved by the commissioner and 6% interest;

20 ~~(e)~~ (e) for all annuities and pure endowments purchased
21 on or after ~~January 1, 1986~~ July 1, 1979, under group
22 annuity and pure endowment contracts, excluding any
23 disability and accidental death benefits purchased under
24 such contracts, the 1971 group annuity mortality table or
25 any modification of this table approved by the commissioner

and 3-1/2% 1 1/2% interest.

(2) After March 17, 1973, any insurer may file with the commissioner a written notice of its election to comply with the provisions of subsection (1) after a specified date before January 1, 1979, which shall be the operative date of subsection (1) for such insurer. An insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this section for such insurer shall be January 1, 1979."

Section 3. Section 33-2-525, NEA, is amended to read:

"33-2-525. Commissioner's reserve valuation method.

(1) ~~Reserves except as otherwise provided in subsection (3) and 33-2-525(3), reserves~~ according to the commissioner's reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the

policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (a) over (b), as follows:

(a) a net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age 1 year higher than the age at issue of such policy;

(b) a net 1-year term premium for such benefits provided for in the first policy year.

(2) Reserves according to the commissioner's reserve valuation method for the following shall be calculated by a method consistent with the principles of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums:

(a) Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums;

(b) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended;

(c) disability and accidental death benefits in all policies and contracts; and

(d) all other benefits, except life insurance and endowment benefits in life insurance policies, ~~shall be calculated by a method consistent with the principles of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums and benefits provided by all other annuity and pure endowment contracts.~~

(3) (a) Subsection (3)(b) applies to any annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal

Revenue Code, as now or hereafter amended.

(b) Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations required by the terms of such contract that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values."

Section 4. Section 33-2-526, MCA, is amended to read:

"33-2-526. Limits -- options -- deficiency minimum reserves. (1) In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method

1 ~~methods~~ set forth in 33-2-525 and subsection (3) of this
2 ~~section~~ and the mortality table or tables and rate or rates
3 of interest used in calculating nonforfeiture benefits for
4 such policies.

5 (2) Reserves for any category of policies, contracts,
6 or benefits as established by the commissioner may be
7 calculated at the option of the insurer according to any
8 standards which produce greater aggregate reserves for such
9 category than those calculated according to the minimum
10 standards herein provided, but the rate or rates of interest
11 used ~~for policies and contracts other than annuity and pure~~
12 ~~endowment contracts~~ shall not be higher than the
13 corresponding rate or rates of interest used in calculating
14 any nonforfeiture benefits provided for therein. Provided,
15 ~~however that reserves for participating life insurance~~
16 ~~policies may, with the consent of the commissioner be~~
17 ~~estimated according to a rate of interest lower than the~~
18 ~~rate of interest used in calculating the nonforfeiture~~
19 ~~benefits in such policies if such lower rate differs from~~
20 ~~the rate used in the calculation of the nonforfeiture~~
21 ~~benefits by more than 1/2 of 1%, the insurer, leaving such~~
22 ~~policies shall file with the commissioner a plan providing~~
23 ~~for such equitable increases, if any, in the cash surrender~~
24 ~~values and nonforfeiture benefits in such policies as the~~
25 ~~commissioner shall approve~~

1 (3) If in any contract year the gross premium charged
2 by any life insurer on any policy or contract is less than
3 the valuation net premium for the policy or contract
4 ~~according to the mortality tables, rate of interest and~~
5 ~~calculated by the method used in calculating the reserve~~
6 ~~thereon, there shall be maintained on such policy or~~
7 ~~contract a deficiency reserve in addition to all other~~
8 ~~reserves required by law for each such policy or contract~~
9 ~~the deficiency reserve shall be the present value according~~
10 ~~to such standards of an annuity of the difference between~~
11 ~~such net premium and the premium charged for such policy or~~
12 ~~contract, running for the remainder of the premium paying~~
13 ~~period but using the minimum valuation standards of~~
14 ~~mortality and rate of interest, the minimum reserve required~~
15 ~~for such policy or contract shall be the greater of either~~
16 ~~the reserve calculated according to the mortality tables,~~
17 ~~rate of interest, and method actually used for such policy~~
18 ~~or contract or the reserve calculated by the method actually~~
19 ~~used for such policy or contract but using the minimum~~
20 ~~standards of mortality and rate of interest and replacing~~
21 ~~the valuation net premium by the actual gross premium in~~
22 ~~such contract year for which the valuation net premium~~
23 ~~exceeds the actual gross premium.*~~

24 Section 5. Section 33-20-201, MCA, is amended to read:

25 "33-20-201. Short title. This part shall be known as

1 "The the "Standard Nonforfeiture Law for Life Insurance"."

2 Section 6. Section 33-20-206, MCA, is amended to read:

3 "33-20-206. Mortality tables -- policies issued after
4 operative date. (1) In the case of ordinary policies issued
5 on or after the operative date of this section as defined
6 herein, all adjusted premiums and present values referred to
7 in this part shall be calculated on the basis of the
8 ~~commissioners~~ commissioner's 1958 standard ordinary
9 mortality table and the rate of interest specified in the
10 policy for calculating cash surrender values and paid-up
11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed 3 1/2% per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to ~~January 1, 1980~~ July 1, 1979, and a rate
16 of interest not exceeding 5 1/2% a year may be used for
17 policies issued on or after July 1, 1979;

18 (b) for any category of ordinary insurance issued on
19 female risks, adjusted premiums and present values may be
20 calculated according to an age not more than 3 1/2 years
21 younger than the actual age of the insured;

22 (c) in calculating the present value of any paid-up
23 term insurance with accompanying pure endowment, if any,
24 offered as a nonforfeiture benefit, the rates of mortality
25 assumed may be not more than those shown in the

1 ~~commissioners~~ commissioner's 1958 extended term insurance
2 table;

3 (d) for insurance issued on a substandard basis, the
4 calculation of any such adjusted premiums and present values
5 may be based on such other table of mortality as may be
6 specified by the company and approved by the commissioner.

7 (2) After July 1, 1961, any insurer may file with the
8 commissioner a written notice of its election to comply with
9 the provisions of this section after a specified date before
10 January 1, 1966. After the filing of such notice, then upon
11 such specified date (which shall be the operative date of
12 this section for such insurer), this section shall become
13 operative with respect to the ordinary policies thereafter
14 issued by such insurer. If an insurer makes no such
15 election, the operative date of this section for such
16 insurer shall be January 1, 1966."

17 Section 7. Section 33-20-207, MCA, is amended to read:

18 "33-20-207. Industrial policies -- mortality tables.

19 (1) In the case of industrial policies issued on or after
20 the operative date of this section as defined herein, all
21 adjusted premiums and present values referred to in this
22 part shall be calculated on the basis of ~~commissioners~~
23 commissioner's 1961 standard industrial mortality table and
24 the rate of interest specified in the policy for calculating
25 cash surrender values and paid-up nonforfeiture benefits

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1 provided that:

2 (a) such rate of interest shall not exceed 3 1/2% per
3 annum except that a rate of interest not exceeding 4% per
4 annum may be used for policies issued on or after March 17,
5 1973, and prior to January 1, 1986 July 1, 1979, and a rate
6 of interest not exceeding 5 1/2% a year may be used for
7 policies issued on or after July 1, 1979;

8 (b) in calculating the present value of any paid-up
9 term insurance with accompanying pure endowment, if any,
10 offered as a nonforfeiture benefit, the rates of mortality
11 assumed may be not more than those shown in the
12 commissioner's 1961 industrial extended term
13 insurance tables;

14 (c) for insurance issued on a substandard basis the
15 calculations of any such adjusted premiums and present
16 values may be based on such other table of mortality as may
17 be specified by the company and approved by the
18 commissioner.

19 (2) After February 22, 1968, any insurer may file with
20 the commissioner a written notice of its election to comply
21 with the provisions of this section after a specified date
22 before January 1, 1968. After the filing of such notice,
23 then upon such specified date (which shall be the operative
24 date of this section for such insurer), this section shall
25 become operative with respect to the industrial policies

1 thereafter issued by such insurer. If an insurer makes no
2 such election, the operative date of this section for such
3 insurer shall be January 1, 1968."

4 NEW SECTION. Section 8. Short title. [Sections 8
5 through 20] shall be known as the "Standard Nonforfeiture
6 Law for Individual Deferred Annuities".

7 NEW SECTION. Section 9. Application. [Sections 8
8 through 20] do not apply to any reinsurance, group annuity
9 purchased under a retirement plan or plan of deferred
10 compensation established or maintained by an employer
11 (including a partnership or sole proprietorship) or by an
12 employee organization, or by both, other than a plan
13 providing individual retirement accounts or individual
14 retirement annuities under section 408 of the Internal
15 Revenue Code, as now or hereafter amended, premium deposit
16 fund, variable annuity, investment annuity, immediate
17 annuity, any deferred annuity contract after annuity
18 payments have commenced, or reversionary annuity or to any
19 contract which is delivered outside this state through an
20 agent or other representative of the company issuing the
21 contract.

22 NEW SECTION. Section 10. Nonforfeiture provisions. In
23 the case of contracts issued on or after the operative date
24 of [sections 8 through 20] as defined in [section 20], no
25 contract of annuity except as stated in [section 9] shall be

1 delivered or issued for delivery in this state unless it
2 contains in substance the following provisions or
3 corresponding provisions which in the opinion of the
4 commissioner are at least as favorable to the contract
5 holder, upon cessation of payment of considerations under
6 the contract:

7 (1) that upon cessation of payment of considerations
8 under a contract the company will grant a paid-up annuity
9 benefit on a plan stipulated in the contract of such value
10 as is specified in [sections 13 through 16, and 18];

11 (2) that if a contract provides for a lump-sum
12 settlement at maturity or at any other time, than upon
13 surrender of the contract at or prior to the commencement of
14 any annuity payments, the company will pay in lieu of any
15 paid-up annuity benefit a cash surrender benefit of such
16 amount as is specified in [sections 13, 14, 16, and 18]. The
17 company shall reserve the right to defer the payment of such
18 cash surrender benefit for a period of 6 months after demand
19 therefor with surrender of the contract.

20 (3) a statement of the mortality table, if any, and
21 interest rates used in calculating any minimum paid-up
22 annuity, cash surrender, or death benefits that are
23 guaranteed under the contract, together with sufficient
24 information to determine the amounts of such benefits;

25 (4) a statement that any paid-up annuity, cash

1 surrender, or death benefits that may be available under the
2 contract are not less than the minimum benefits required by
3 any statute of the state in which the contract is delivered
4 and an explanation of the manner in which such benefits are
5 altered by the existence of any additional amounts credited
6 by the company to the contract, any indebtedness to the
7 company on the contract, or any prior withdrawals from or
8 partial surrenders of the contract.

9 NEW SECTION. Section 11. Exception. Notwithstanding
10 the requirements of [section 10], any deferred annuity
11 contract may provide that if no consideration has been
12 received under a contract for a period of 2 full years and
13 the portion of the paid-up annuity benefit at maturity on
14 the plan stipulated in the contract arising from
15 ~~consideration~~ paid prior to such period would be less than
16 \$20 monthly, the company may at its option terminate such
17 contract by payment in cash of the then present value of
18 such portion of the paid-up annuity benefit, calculated on
19 the basis of the mortality table, if any, and interest rate
20 specified in the contract for determining the paid-up
21 annuity benefit, and by such payment shall be relieved of
22 any further obligation under such contract.

23 NEW SECTION. Section 12. Minimum nonforfeiture
24 amounts. (1) The minimum values as specified in [sections 13
25 through 16, and 18] of any paid-up annuity, cash surrender,

1 or death benefits available under an annuity contract shall
2 be based upon minimum nonforfeiture amounts as defined in
3 this section.

4 (c) (1) With respect to contracts providing for
5 flexible considerations, the minimum nonforfeiture amount at
6 any time at or prior to the commencement of any annuity
7 payments shall be equal to an accumulation up to such time
8 at a rate of interest of 3% a year of percentages of the net
9 considerations (as hereinafter defined) paid prior to such
10 time, decreased by the sum of any prior withdrawals from or
11 partial surrenders of the contract accumulated at a rate of
12 interest of 3% a year and the amount of any indebtedness to
13 the company on the contract, including interest due and
14 accrued, and increased by existing additional amounts
15 credited by the company to the contract.

16 (b) The net consideration for a given contract year
17 used to derive the minimum nonforfeiture amount shall be an
18 amount not less than zero and shall be equal to the
19 corresponding gross considerations credited to the contract
20 during that contract year less an annual contract charge of
21 \$30 and less a collection charge of \$1.25 per consideration
22 credited to the contract during that contract year. The
23 percentages of net consideration shall be 65% of the net
24 consideration for the first contract year and 67 1/2% of the
25 net consideration for the second and later contract years.

1 Notwithstanding the provisions of the preceding sentence,
2 the percentage shall be 65% of the portion of the total net
3 consideration for any renewal contract year which exceeds by
4 not more than two times the sum of those portions of the net
5 consideration in all prior contract years for which the
6 percentage was 65%.

7 (3) With respect to contracts providing for fixed
8 schedule consideration, minimum nonforfeiture amounts shall
9 be calculated on the assumption that consideration is paid
10 annually in advance and shall be defined as for contracts
11 with flexible payments of consideration which are paid
12 annually with two exceptions:

13 (a) The portion of the net consideration for the first
14 contract year to be accumulated shall be the sum of 65% of
15 the net consideration for the first contract year plus
16 22 1/2% of the excess of the net consideration for the first
17 contract year over the lesser of the net considerations for
18 the second and third contract years.

19 (b) The annual contract charge shall be the lesser of
20 \$30 or 10% of the gross annual consideration.

21 (4) With respect to contracts providing for a single
22 consideration, minimum nonforfeiture amounts shall be
23 defined as for contracts with flexible payments of
24 consideration except that the percentage of net
25 consideration used to determine the minimum nonforfeiture

1 amount shall be equal to 90% and the net consideration shall
2 be the gross consideration less a contract charge of \$75.

3 NEW SECTION. Section 13. Present value to equal
4 minimum nonforfeiture amount. Any paid-up annuity benefit
5 available under a contract shall be such that its present
6 value on the date annuity payments are to commence is at
7 least equal to the minimum nonforfeiture amount on that
8 date. Such present value shall be computed using the
9 mortality table, if any, and the interest rate specified in
10 the contract for determining the minimum paid-up annuity
11 benefits guaranteed in the contract.

12 NEW SECTION. Section 14. Cash surrender benefits. For
13 contracts which provide cash surrender benefits, such cash
14 surrender benefits available prior to maturity shall not be
15 less than the present value as of the date of surrender of
16 that portion of the maturity value of the paid-up annuity
17 benefit which would be provided under the contract at
18 maturity arising from considerations paid prior to the time
19 of cash surrender reduced by the amount appropriate to
20 reflect any prior withdrawals from or partial surrenders of
21 the contract, such present value being calculated on the
22 basis of an interest rate not more than 1% higher than the
23 interest rate specified in the contract for accumulating the
24 net considerations to determine such maturity value,
25 decreased by the amount of any indebtedness to the company

1 on the contract, including interest due and accrued, and
2 increased by any existing additional amounts credited by the
3 company to the contract. No cash surrender benefit may be
4 less than the minimum nonforfeiture amount at that time. The
5 death benefit under such contracts shall be at least equal
6 to the cash surrender benefit.

7 NEW SECTION. Section 15. Paid-up annuity benefits.
8 For contracts which do not provide cash surrender benefits,
9 the present value of any paid-up annuity benefit available
10 as a nonforfeiture option at any time prior to maturity may
11 not be less than the present value of that portion of the
12 maturity value of the paid-up annuity benefit provided under
13 the contract arising from considerations paid prior to the
14 time the contract is surrendered in exchange for or changed
15 to a deferred paid-up annuity, such present value being
16 calculated for the period prior to the maturity date on the
17 basis of the interest rate specified in the contract for
18 accumulating the net considerations to determine such
19 maturity value and increased by any existing additional
20 amounts credited by the company to the contract. For
21 contracts which do not provide any death benefits prior to
22 the commencement of any annuity payments, such present
23 values shall be calculated on the basis of such interest
24 rate and the mortality table specified in the contract for
25 determining the maturity value of the paid-up annuity

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1 benefit. However, the present value of a paid-up annuity
2 benefit may not be less than the minimum nonforfeiture
3 amount at that time.

4 NEW SECTION. Section 16. Maturity date. For the
5 purpose of determining the benefits calculated under
6 [sections 14 and 15], in the case of annuity contracts under
7 which an election may be made to have annuity payments
8 commence at optional maturity dates, the maturity date is
9 the latest date for which election is permitted by the
10 contract but may not be later than the anniversary of the
11 contract next following the annuitant's 70th birthday or the
12 10th anniversary of the contract, whichever is later.

13 NEW SECTION. Section 17. Statement of noninclusion of
14 certain death benefits. Any contract which does not provide
15 cash surrender benefits or does not provide death benefits
16 at least equal to the minimum nonforfeiture amount prior to
17 the commencement of any annuity payments shall include a
18 statement in a prominent place in the contract that such
19 benefits are not provided.

20 NEW SECTION. Section 18. Adjusted benefit. Any
21 paid-up annuity, cash surrender, or death benefits available
22 at any time other than on the contract anniversary under any
23 contract with fixed scheduled consideration shall be
24 calculated with allowance for the lapse of time and the
25 payment of any scheduled consideration beyond the beginning

1 of the contract year in which cessation of payment of
2 consideration under the contract occurs.

3 NEW SECTION. Section 19. Calculation of benefits —
4 special benefits excluded. For any contract which provides,
5 within the same contract by rider or supplemental contract
6 provision, both annuity benefits and life insurance benefits
7 that are in excess of the greater of cash surrender benefits
8 or a return of the gross consideration paid with interest,
9 the minimum nonforfeiture benefits shall be equal to the sum
10 of the minimum nonforfeiture benefits for the annuity
11 portion and the minimum nonforfeiture benefits, if any, for
12 the life insurance portion computed as if each portion were
13 a separate contract. Notwithstanding the provisions of
14 [sections 13 through 16, and 18], additional benefits
15 payable in the event of total and permanent disability or as
16 reversionary annuity or deferred reversionary annuity
17 benefits or as other policy benefits additional to life
18 insurance, endowment, and annuity benefits, and
19 considerations for all such additional benefits shall be
20 disregarded in ascertaining the minimum nonforfeiture
21 amounts, paid-up annuity, cash surrender, and death benefits
22 that may be required by this section. The inclusion of such
23 additional benefits shall not be required in any paid-up
24 benefits, unless such additional benefits separately would
25 require minimum nonforfeiture amount paid-up annuity, cash

1 surrender, and death benefits.
 2 NEW SECTION. Section 20. Operative date. After July
 3 1, 1979, any company may file with the commission a written
 4 notice of its election to comply with the provisions of this
 5 section after a specified date before July 1, 1981. After
 6 the filing of such notice, then upon such specified date,
 7 which shall be the operative date of this section for such
 8 company, this section shall become operative with respect to
 9 annuity contracts thereafter issued by such company. If a
 10 company makes no such election, the operative date of this
 11 section for such company shall be July 1, 1981.

-End-

SB 94

COMMITTEE ON BUSINESS & INDUSTRY

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
SB #89	1/12/79	1/22/79	1/22/79	1/22/79					
SB #92	1/12/79	1/27/79	1/27/79	1/27/79					
SB #93	1/12/79	1/27/79	1/27/79	1/27/79					
SB #94	1/12/79	1/27/79	1/27/79	1/27/79					
SB #99	1/17/79	1/26/79	2/1/79		2/1/79				
SB #99	2/6/79	2/10/79	2/10/79			2/10/79			
SB #101	1/15/79	1/27/79	1/27/79			1/27/79			
SB #108	1/16/79	1/23/79	1/31/79			2/5/79			
SB #117	1/16/79	1/23/79	1/23/79	1/23/79					
SB #139	1/17/79	Transferred to Judiciary			2/2/79	-----			
SB #148	1/18/79	2/3/79	2/6/79			2/6/79			
SB #157	1/18/79	2/2/79	2/2/79	2/2/79					
SB #180	1/22/79	-----	TABLED						
SB #191	1/24/79	1/29/79	2/14/79		2/14/79				
SB #201	1/27/79	1/29/79	1/29/79	1/29/79					
SB #209	1/24/79	2/6/79	2/10/79			2/10/79			

Use a separate sheet for Senate, House Bills, and Resolutions.

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 27, 1979

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in Room 404 of the State Capitol Building at 10:00 a.m.

ROLL CALL: Upon roll call all members were present.

CONSIDERATION OF SB 9: An act to amend section 33-2-111, MCA, relating to deposit requirements of insurers, by increasing deposit requirements of title insurers.

Chairman Hazelbaker called on Josephine M. Driscoll from the office of the Commissioner of Insurance to explain SB 9 to the Committee and state why it was requested. Ms. Driscoll summarized SB 9 for the Committee after which Chairman Hazelbaker asked for any further proponents. Hearing none, Chairman Hazelbaker asked for any opponents. Hearing none, Chairman Hazelbaker opened the hearing to questions from the Committee and a brief discussion of SB 9 followed.

Chairman Hazelbaker stated that if the Committee had no objection, he would like to take executive action on any bills the Committee had no real questions about. The Committee agreed with Chairman Hazelbaker's suggestions.

DISPOSITION OF SB 9: Senator Lowe moved that SB 9 receive a DO PASS recommendation. Senator Kolstad seconded the motion. SB 9 was unanimously passed and was unanimously placed on the Consent Calendar.

CONSIDERATION OF SB 10: An act to repeal sections 33-2-1001 through 33-2-1007, MCA, relating to regulation of insurance holding companies.

Chairman Hazelbaker called on Josephine M. Driscoll from the office of the Commissioner of Insurance to explain SB 10 to the Committee and state why it was requested. Ms. Driscoll summarized SB 10 for the Committee. There were no other proponents or opponents to SB 10 and the Committee had no questions.

DISPOSITION OF SB 10: Senator Lowe moved that SB 10 receive a DO PASS recommendation and be put on the consent calendar. Senator Dover seconded the motion. SB 10 was unanimously passed and was unanimously placed on the Consent Calendar.

CONSIDERATION OF SB 64: An act to amend section 33-16-203, MCA, relating to filing of insurance rates.

33-17-1103, 33-17-1111, and 33-22-813, MCA; and repealing section 33-17-215, MCA.

Chairman Hazelbaker called on Josephine M. Driscoll from the office of the Commissioner of Insurance to explain SB 93 to the Committee and state why it was requested. Ms. Driscoll summarized SB 93 for the Committee.

Chairman Hazelbaker asked for any more proponents to SB 93. Mr. Les Loble II, American Council of Life Insurance, spoke in support of SB 93.

Chairman Hazelbaker then asked for any opponents to SB 93 and, hearing none, opened the hearing to questions from the Committee. The Committee had no questions.

DISPOSITION OF SB 93: Senator Lowe moved that SB 93 receive a DO PASS recommendation. Senator Dover seconded the motion. The motion carried unanimously.

CONSIDERATION OF SB 94: An act to revise the law relating to standard valuation and standard nonforfeiture in life insurance; providing for adoption of annuity mortality tables and permissible interest rates in valuation of annuity and insurance contracts; adding provisions relating to nonforfeiture in individual deferred annuities; and amending sections 33-2-523 through 33-2-526, 33-20-201, 33-20-206 and 33-20-207, MCA.

Chairman Hazelbaker called on Josephine M. Driscoll from the office of the Commissioner of Insurance to explain SB 94 to the Committee and state why it was requested. Ms. Driscoll summarized SB 94 for the Committee after which Chairman Hazelbaker asked for any further proponents. Mr. Les Loble II, American Council of Life Insurance, spoke in support of SB 94.

Chairman Hazelbaker asked the Committee if they had had time to read the narrative provided for SB 94. He stated SB 94 was quite detailed so he gave a copy to Senator Robert Anderson, who sells life insurance, for his opinion. Chairman Hazelbaker stated that Senator Anderson favored SB 94 and would be happy to come answer any questions the Committee might have if they so desired.

Chairman Hazelbaker then called for any opponents to SB 94 and, hearing none, opened the hearing to questions from the Committee. There were no questions.

DISPOSITION OF SB 94: Senator Dover moved that SB 94 receive a DO PASS recommendation. Senator Peterson seconded the motion. The motion carried unanimously.

COMMITTEE

BILL ^{Amended} Companioned

} agency
} bill

VISITORS' REGISTER

DATE 1/27/79

(AD# 9, 10, 64, 80, 81, 83, 85, 86, 92, 93, 94, 101 + 139 please note

Please note bill no.

[illegible]

NAME: Terry Meagher DATE: 1-22-79

ADDRESS: 423 So. Fee St., Helena, Mt. 59601

PHONE: 442-0682

REPRESENTING WHOM? Montana Dept. of Insurance

APPEARING ON WHICH PROPOSAL: SB 9, 10, 14, 80, 81, 83, 85, 86, 92, 93, 94, 101, 139

DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Rita Thurman DATE: 1-27-77

ADDRESS: Aus. Dept Mitchell Bldg

PHONE: 449-2996

REPRESENTING WHOM? Aus. Dept

APPEARING ON WHICH PROPOSAL: All ins. bills heard today

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Josephine M. Driscoll DATE: 1-27-79
ADDRESS: One Apt. Mitchell Bldg. Salem
PHONE: 449-2996

REPRESENTING WHOM? Insurance Dept., State Auditor's
Office.

APPEARING ON WHICH PROPOSAL: SB 9, 6364, 80, 81, 83, 85, 86
92, 93, 94, 14 possibly 101-139)

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

[illegible]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Les Loble II DATE: 1/27/99

ADDRESS: 716 Power Helena 1

PHONE: 442 0070

REPRESENTING WHOM? American Council of Life Insurance

APPEARING ON WHICH PROPOSAL: 88 10, 64, 80, 83, 92, 93, 94, ~~70, 71~~

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

STANDING COMMITTEE REPORT

January 27, 19 79

MR. President:

We, your committee on Business and Industry

having had under consideration Senate Bill No. 94

Respectfully report as follows: That Senate Bill No. 94

DO PASS

HJR 4, introduced by Scully. Referred to Committee on Business and Industry.

**SECOND READING OF BILLS
(COMMITTEE OF THE WHOLE)**

Senator Lockrem in the Chair.

Senate resumed. President Mathers in the Chair.

Mr. President: We, your Committee of the Whole, having had under consideration business on Second Reading, recommend as follows:

That Senate Bill No. 75 do pass. Unanimously passed.

That Senate Bill No. 80 do pass. Unanimously passed.

That Senate Bill No. 82 do pass. Opposed by Aklestad, Boylan, B. Brown, Dover, Etchart, Graham, Kolstad, Lockrem, Manley, McCallum, Nelson, Olson, Severson, E. Smith.

That Senate Bill No. 83 do pass. Unanimously passed.

That Senate Bill No. 92 do pass. Unanimously passed.

That consideration of Senate Bill No. 93 be passed for the day. Unanimously passed.

That Senate Bill No. 94 do pass. Unanimously passed.

That consideration of Senate Bill No. 113 be passed for the day. Unanimously passed.

That Senate Bill No. 149 do pass. Unanimously passed.

That Senate Bill No. 189 follow Senate Bill No. 194.

That Senate Bill No. 194 do pass. Opposed by Conover, Healy, Himsl, Lowe, Norman, Palmer, Van Valkenburg, Watt.

That Senate Bill No. 189 be amended as follows:

1. Title, line 6.
Following: "OR"
Strike: PRIVATE NONPROFIT AGENCIES"
Insert: "REGIONAL SERVICES"

2. Title, line 6.
Following: "REGIONAL"
Strike: "SERVICES"
Insert: "SERVICE ORGANIZATION"

(Amendment No. 2 opposed by Aklestad, Anderson, Boylan, Etchart, Galt, Kolstad, Lensink, Lockrem, Lowe, Manley, McCallum, Nelson, Olson, O'Hara, E. Smith, Thomas, Mr. President.)

3. Page 3, line 8.
Following: "cooperative"
Strike: "services"
Insert: "service organizations"

4. Page 3, line 9.
Following: line 8
Strike: "services"
Insert: "service organizations"

And, as so amended, do pass. Unanimously passed.

That Senate Bill No. 204 do pass. Unanimously passed.

That Senate Bill No. 205 do pass. Unanimously concurred in.

That House Bill No. 7 be concurred in. Unanimously concurred in.

Senator Jergeson moved that a Statement of Intent on House Bill No. 130 be adopted. Unanimously adopted.

STATEMENT OF INTENT: House Bill No. 130

1. A Statement of Intent is required for this bill in that it delegates authority to adopt rules in Section 4(1). 2. House Bill No. 130 is enacted in order to secure state jurisdiction under terms of the Natural Gas Policy Act of 1978. The rules adopted should go no further than absolutely required by state or federal law.

That House Bill No. 130 be concurred in. Unanimously concurred in.

That the Committee rise and report. (Lockrem, Chairman)

Upon motion of Senator Lockrem, duly carried, the foregoing Report of the Committee of the Whole was adopted.

THIRD READING OF BILLS

The following bills having been read three several times, title and history agreed to, were disposed of in the following manner:

Senate Bill No. 114 was passed by the following vote:

Ayes: Aklestad, Anderson, Blaylock, Boylan, B. Brown, S. Brown, Conover, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Roskie, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.

Total 48

Noes: None.

Total 0

Excused: None.

Total 0

Absent or not voting: Manley, Story.

Total 2

Senate Bill No. 200 was passed by the following vote:

Ayes: Aklestad, Anderson, Blaylock, Boylan, B. Brown, S. Brown, Conover, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Roskie, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.

Total 48

Noes: None.

Total 0

Excused: None.

Manning, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, R. Smith, Stephens, Stimatz, Thomas, Towe, Turnage, Van Valkenburg, Watt.
Total 33

Noes: Aklestad, Boylan, B. Brown, Dover, Etchart, Kolstad, Lockrem, McCallum, Severson, E. Smith, Story, Thiessen, Mr. President.
Total 13

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: None.
Total 0

Senate Bill No. 83 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 46

Noes: None.
Total 0

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: None.
Total 0

Senate Bill No. 92 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 45

Noes: Lockrem.
Total 1

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: None.
Total 0

Senate Bill No. 94 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 45

Noes: None.
Total 0

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: Thomas.
Total 1

Senate Bill No. 146 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 46

Noes: None.
Total 0

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: None.
Total 0

Senate Bill No. 149 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 46

Noes: None.
Total 0

Excused: Blaylock, Conover, Manley, Roskie.
Total 4

Absent or not voting: None.
Total 0

Senate Bill No. 204 was passed by the following vote:

Ayes: Aklestad, Anderson, Boylan, B. Brown, S. Brown, Dover, Etchart, Fasbender, Galt, Goodover, Graham, Hafferman, Hager, Hazelbaker, Healy, Himsl, Jergeson, Kolstad, Lensink, Lockrem, Lowe, Manning, McCallum, Mehrens, Nelson, Norman, Olson, O'Hara, Palmer, Peterson, Rasmussen, Regan, Ryan, Severson, E. Smith, R. Smith, Stephens, Stimatz, Story, Thiessen, Thomas, Towe, Turnage, Van Valkenburg, Watt, Mr. President.
Total 46

Noes: None.
Total 0

Excused: Blaylock, Conover, Manley, Roskie.

1 *Senate* BILL NO. *94*
 2 INTRODUCED BY *Hamilton Dyer*
 3 BY REQUEST OF THE COMMISSIONER OF INSURANCE
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW
 6 RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE
 7 IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUITY
 8 MORTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION
 9 OF ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS
 10 RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES;
 11 AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201,
 12 33-20-206, AND 33-20-207, MCA."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 33-2-523, MCA, is amended to read:

16 "33-2-523. Contracts on or after the operative date of
 17 33-20-213 -- valuation. (1) This section shall apply to only
 18 those policies and contracts issued on or after the
 19 operative date of 33-20-213, except as otherwise provided in
 20 33-2-524 for group annuity and pure endowment contracts
 21 issued prior to that date.

22 (2) Except as otherwise provided in 33-2-524, the
 23 minimum standard for the valuation of all such policies and
 24 contracts shall be the commissioner's reserve valuation
 25 method ~~methods~~ defined in 33-2-525, and ~~32-2-526(3)~~. 52

1 ~~interest for group annuity and pure endowment contracts and~~
 2 ~~3 1/2% interest for all other such policies and contracts~~
 3 ~~or in the case of policies and contracts, other than annuity~~
 4 ~~and pure endowment contracts, issued on or after March 17,~~
 5 ~~1973, and prior to January 1, 1986, 4% interest for such~~
 6 ~~policies issued prior to July 1, 1979, and a 1/2% interest~~
 7 ~~for such policies issued on or after July 1, 1979, and the~~
 8 following tables:

9 (a) for all ordinary policies of life insurance issued
 10 on the standard basis, excluding any disability and
 11 accidental death benefits in such policies, the
 12 commissioner's 1941 standard ordinary mortality table for
 13 such policies issued prior to the operative date of
 14 33-20-206, as amended, and the commissioner's 1958 standard
 15 ordinary mortality table for such policies issued on or
 16 after that operative date, except that for any category of
 17 such policies issued on female risks, modified net premiums
 18 and present values, referred to in 33-2-525 and 33-2-526,
 19 may be calculated, at the option of the insurer with the
 20 approval of the commissioner, according to an age younger
 21 than the actual age of the insured;

22 (b) for all industrial life insurance policies issued
 23 on the standard basis, excluding any disability and
 24 accidental death benefits in such policies, the 1941
 25 standard industrial mortality table for such policies issued

1 prior to the operative date of 33-20-207, as amended, and
2 the commissioner's 1961 standard industrial mortality table
3 for such policies issued on or after that operative date;

4 (c) for individual annuity and pure endowment
5 contracts, excluding any disability and accidental death
6 benefits in such policies, the 1937 standard annuity
7 mortality table or, at the option of the insurer, the
8 annuity mortality table for 1949, ultimate, or any
9 modification of either of these tables approved by the
10 commissioner;

11 (d) for group annuity and pure endowment contracts,
12 excluding any disability and accidental death benefits in
13 such policies, the group annuity mortality table for 1951,
14 any modification of such table approved by the commissioner,
15 or, at the option of the insurer, any of the tables or
16 modifications of tables specified for individual annuity and
17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
19 or supplementary to ordinary policies or contracts:

20 (A) for policies or contracts issued on or after
21 January 1, 1966, the tables of period 2 disablement rates
22 and the 1930 to 1950 termination rates of the 1952
23 disability study of the society of actuaries, with due
24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

1 January 1, 1961, and prior to January 1, 1966, either such
2 tables or, at the option of the insurer, the class 3
3 disability table (1926); and

4 (C) for policies issued prior to January 1, 1961, the
5 class 3 disability table (1926);

6 (ii) any such table shall, for active lives, be
7 combined with a mortality table permitted for calculating
8 the reserves for life insurance policies;

9 (f) (i) for accidental death benefits in or
10 supplementary to policies:

11 (A) for policies issued on or after January 1, 1966,
12 the 1959 accidental death benefits table;

13 (B) for policies issued on or after January 1, 1961,
14 and prior to January 1, 1966, either such table or, at the
15 option of the insurer, the intercompany double indemnity
16 mortality table; and

17 (C) for policies issued prior to January 1, 1961, the
18 intercompany double indemnity mortality table;

19 (ii) either table shall be combined with a mortality
20 table permitted for calculating the reserves for life
21 insurance policies;

22 (g) for group life insurance, life insurance issued on
23 the substandard basis and other special benefits, such
24 tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to read:

"33-2-524. Individual and group annuity and pure endowment contracts — valuation. (1) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after [the operative date of this section], as defined herein, and for all annuities and pure endowments purchased on or after that operative date, under group annuity and pure endowment contracts shall be the commissioner's reserve valuation method ~~methods~~ defined in 33-2-525 and the following tables and interest rates:

(a) for individual annuity and pure endowment contracts issued prior to ~~January 1, 1986~~ July 1, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 6% interest for single premium immediate annuity contracts and 4% interest for all other individual annuity and pure endowment contracts;

(b) ~~for individual annuity and pure endowment contracts issued on or after January 1, 1986, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of the table approved by the commissioner and 3 1/2% interest~~ for individual single premium immediate annuity contracts issued on or after July 1, 1979, excluding

any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 7 1/2% interest;

(c) for individual annuity and pure endowment contracts issued on or after July 1, 1979, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 5 1/2% interest for single premium deferred annuity and pure endowment contracts and 4 1/2% interest for all other such individual annuity and pure endowment contracts;

~~(d) for all annuities and pure endowments purchased prior to January 1, 1986, July 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 group annuity mortality table or any modification of the table approved by the commissioner and 6% interest;~~

~~(e) for all annuities and pure endowments purchased on or after January 1, 1986, July 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 group annuity mortality table or any modification of this table approved by the commissioner~~

1 and 3-1/2% ~~1 1/2%~~ interest.

2 (2) After March 17, 1973, any insurer may file with
3 the commissioner a written notice of its election to comply
4 with the provisions of subsection (1) after a specified date
5 before January 1, 1979, which shall be the operative date of
6 subsection (1) for such insurer. An insurer may elect a
7 different operative date for individual annuity and pure
8 endowment contracts from that elected for group annuity and
9 pure endowment contracts. If an insurer makes no such
10 election, the operative date of this section for such
11 insurer shall be January 1, 1979."

12 Section 3. Section 33-2-525, MCA, is amended to read:

13 "33-2-525. Commissioner's reserve valuation method.

14 (1) Reserves Except as otherwise provided in subsection (3)
15 and 33-2-526(3), reserves according to the commissioner's
16 reserve valuation method, for the life insurance and
17 endowment benefits of policies providing for a uniform
18 amount of insurance and requiring the payment of uniform
19 premiums, shall be the excess, if any, of the present value,
20 at the date of valuation, of such future guaranteed benefits
21 provided for by such policies, over the then present value
22 of any future modified net premiums therefor. The modified
23 net premiums for any such policy shall be such uniform
24 percentage of the respective contract premiums for such
25 benefits that the present value, at the date of issue of the

1 policy, of all such modified net premiums shall be equal to
2 the sum of the then present value of such benefits provided
3 for by the policy and the excess of (a) over (b), as
4 follows:

5 (a) a net level annual premium equal to the present
6 value, at the date of issue, of such benefits provided for
7 after the first policy year, divided by the present value,
8 at the date of issue of an annuity of one per annum payable
9 on the first and each subsequent anniversary of such policy
10 on which a premium falls due; provided, however, that such
11 net level annual premium shall not exceed the net level
12 annual premium on the 19-year premium whole life plan for
13 insurance of the same amount at an age 1 year higher than
14 the age at issue of such policy;

15 (b) a net 1-year term premium for such benefits
16 provided for in the first policy year.

17 (2) Reserves according to the commissioner's reserve
18 valuation method for the following shall be calculated by a
19 method consistent with the principles of this section,
20 except that any extra premiums charged because of
21 impairments or special hazards shall be disregarded in the
22 determination of modified net premiums;

23 (a) life insurance policies providing for a varying
24 amount of insurance or requiring the payment of varying
25 premiums;

(b) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended;

(c) disability and accidental death benefits in all policies and contracts; and

(d) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums and benefits provided by all other annuity and pure endowment contracts.

(3) (a) Subsection (3)(b) applies to any annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal

Revenue Code, as now or hereafter amended.

(b) Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present values, at the date of valuation, of any future valuation considerations derived from future gross considerations required by the terms of such contract that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values."

Section 4. Section 33-2-526, MCA, is amended to read:

"33-2-526. Limits -- options -- deficiency minimum reserves. (1) In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method

1 ~~methods set forth in 33-2-525 and subsection (3) of this~~
 2 ~~section and the mortality table or tables and rate or rates~~
 3 ~~of interest used in calculating nonforfeiture benefits for~~
 4 ~~such policies.~~

5 (2) Reserves for any category of policies, contracts,
 6 or benefits as established by the commissioner may be
 7 calculated at the option of the insurer according to any
 8 standards which produce greater aggregate reserves for such
 9 category than those calculated according to the minimum
 10 standard herein provided, but the rate or rates of interest
 11 ~~used for policies and contracts, other than annuity and pure~~
 12 ~~endowment contracts, shall not be higher than the~~
 13 ~~corresponding rate or rates of interest used in calculating~~
 14 ~~any nonforfeiture benefits provided for therein. Provided,~~
 15 ~~however that reserves for participating life insurance~~
 16 ~~policies may, with the consent of the commissioner, be~~
 17 ~~calculated according to a rate of interest lower than the~~
 18 ~~rate of interest used in calculating the nonforfeiture~~
 19 ~~benefits in such policies, if such lower rate differs from~~
 20 ~~the rate used in the calculation of the nonforfeiture~~
 21 ~~benefits by more than 1/2 of 1%, the insurer issuing such~~
 22 ~~policies shall file with the commissioner a plan providing~~
 23 ~~for such equitable increases, if any, in the cash surrender~~
 24 ~~values and nonforfeiture benefits in such policies as the~~
 25 ~~commissioner shall approve~~

1 (3) If in any contract year the gross premium charged
 2 by any life insurer on any policy or contract is less than
 3 the valuation net premium for the policy or contract
 4 ~~according to the mortality table, rate of interest, and~~
 5 ~~calculated by the method used in calculating the reserve~~
 6 ~~thereon, there shall be maintained on such policy or~~
 7 ~~contract a deficiency reserve in addition to all other~~
 8 ~~reserves required by law for each such policy or contract~~
 9 ~~the deficiency reserve shall be the present value, according~~
 10 ~~to such standard, of an annuity of the difference between~~
 11 ~~such net premium and the premium charged for such policy or~~
 12 ~~contract, running for the remainder of the premium paying~~
 13 ~~period but using the minimum valuation standards of~~
 14 ~~mortality and rate of interest, the minimum reserve required~~
 15 ~~for such policy or contract shall be the greater of either~~
 16 ~~the reserve calculated according to the mortality table,~~
 17 ~~rate of interest, and method actually used for such policy~~
 18 ~~or contract or the reserve calculated by the method actual y~~
 19 ~~used for such policy or contract but using the minimum~~
 20 ~~standards of mortality and rate of interest and replacing~~
 21 ~~the valuation net premium by the actual gross premium in~~
 22 ~~each contract year for which the valuation net premium~~
 23 ~~exceeds the actual gross premium."~~

24 Section 5. Section 33-20-201, MCA, is amended to read:
 25 "33-20-201. Short title. This part shall be known as

1 "The ~~the~~ "Standard Nonforfeiture Law for Life Insurance"."

2 Section 6. Section 33-20-206, MCA, is amended to read:

3 "33-20-206. Mortality tables -- policies issued after
4 operative date. (1) In the case of ordinary policies issued
5 on or after the operative date of this section as defined
6 herein, all adjusted premiums and present values referred to
7 in this part shall be calculated on the basis of the
8 commissioners commissioner's 1958 standard ordinary
9 mortality table and the rate of interest specified in the
10 policy for calculating cash surrender values and paid-up
11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed $3\frac{1}{2}\%$ per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to ~~January 1, 1986, July 1, 1979, and a rate~~
16 ~~of interest not exceeding $5\frac{1}{2}\%$ a year may be used for~~
17 policies issued on or after July 1, 1979;

18 (b) for any category of ordinary insurance issued on
19 female risks, adjusted premiums and present values may be
20 calculated according to an age not more than 3 $\frac{1}{2}$ years
21 younger than the actual age of the insured;

22 (c) in calculating the present value of any paid-up
23 term insurance with accompanying pure endowment, if any,
24 offered as a nonforfeiture benefit, the rates of mortality
25 assumed may be not more than those shown in the

1 commissioners commissioner's 1958 extended term insurance
2 table;

3 (d) for insurance issued on a substandard basis, the
4 calculation of any such adjusted premiums and present values
5 may be based on such other table of mortality as may be
6 specified by the company and approved by the commissioner.

7 (2) After July 1, 1961, any insurer may file with the
8 commissioner a written notice of its election to comply with
9 the provisions of this section after a specified date before
10 January 1, 1966. After the filing of such notice, then upon
11 such specified date (which shall be the operative date of
12 this section for such insurer), this section shall become
13 operative with respect to the ordinary policies thereafter
14 issued by such insurer. If an insurer makes no such
15 election, the operative date of this section for such
16 insurer shall be January 1, 1966."

17 Section 7. Section 33-20-207, MCA, is amended to read:

18 "33-20-207. Industrial policies -- mortality tables.

19 (1) In the case of industrial policies issued on or after
20 the operative date of this section as defined herein, all
21 adjusted premiums and present values referred to in this
22 part shall be calculated on the basis of commissioners
23 commissioner's 1961 standard industrial mortality table and
24 the rate of interest specified in the policy for calculating
25 cash surrender values and paid-up nonforfeiture benefits

1 provided that:

2 (a) such rate of interest shall not exceed 3 1/2% per
3 annum except that a rate of interest not exceeding 4% per
4 annum may be used for policies issued on or after March 17,
5 1973, and prior to ~~January 1, 1986~~ July 1, 1979, and a rate
6 of interest not exceeding 5 1/2% a year may be used for
7 policies issued on or after July 1, 1979;

8 (b) in calculating the present value of any paid-up
9 term insurance with accompanying pure endowment, if any,
10 offered as a nonforfeiture benefit, the rates of mortality
11 assumed may be not more than those shown in the
12 ~~commissioner's~~ commissioner's 1961 industrial extended term
13 insurance table;

14 (c) for insurance issued on a substandard basis the
15 calculations of any such adjusted premiums and present
16 values may be based on such other table of mortality as may
17 be specified by the company and approved by the
18 commissioner.

19 (2) After February 22, 1965, any insurer may file with
20 the commissioner a written notice of its election to comply
21 with the provisions of this section after a specified date
22 before January 1, 1968. After the filing of such notice,
23 then upon such specified date (which shall be the operative
24 date of this section for such insurer), this section shall
25 become operative with respect to the industrial policies

1 thereafter issued by such insurer. If an insurer makes no
2 such election, the operative date of this section for such
3 insurer shall be January 1, 1968."

4 NEW SECTION. Section 8. Short title. [Sections 8
5 through 20] shall be known as the "Standard Nonforfeiture
6 Law for Individual Deferred Annuities".

7 NEW SECTION. Section 9. Application. [Sections 8
8 through 20] do not apply to any reinsurance, group annuity
9 purchased under a retirement plan, or plan of deferred
10 compensation established or maintained by an employer
11 (including a partnership or sole proprietorship) or by an
12 employee organization, or by both, other than a plan
13 providing individual retirement accounts or individual
14 retirement annuities under section 408 of the Internal
15 Revenue Code, as now or hereafter amended, premium deposit
16 fund, variable annuity, investment annuity, immediate
17 annuity, any deferred annuity contract after annuity
18 payments have commenced, or reversionary annuity or to any
19 contract which is delivered outside this state through an
20 agent or other representative of the company issuing the
21 contract.

22 NEW SECTION. Section 10. Nonforfeiture provisions. In
23 the case of contracts issued on or after the operative date
24 of [sections 8 through 20] as defined in [section 20], no
25 contract of annuity except as stated in [section 9] shall be

delivered or issued for delivery in this state unless it contains in substance the following provisions or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

(1) that upon cessation of payment of considerations under a contract the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in [sections 13 through 16, and 18];

(2) that if a contract provides for a lump-sum settlement at maturity or at any other time, than upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in [sections 13, 14, 16, and 18]. The company shall reserve the right to defer the payment of such cash surrender benefit for a period of 6 months after demand therefor with surrender of the contract.

(3) a statement of the mortality tables, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender, or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits;

(4) a statement that any paid-up annuity, cash

surrender, or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract, or any prior withdrawals from or partial surrenders of the contract.

NEW SECTION. Section 11. Exception. Notwithstanding the requirements of [section 10], any deferred annuity contract may provide that if no consideration has been received under a contract for a period of 2 full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from consideration paid prior to such period would be less than \$20 monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

NEW SECTION. Section 12. Minimum nonforfeiture amounts. (1) The minimum values as specified in [sections 13 through 16, and 18] of any paid-up annuity, cash surrender,

1 or death benefits available under an annuity contract shall
2 be based upon minimum nonforfeiture amounts as defined in
3 this section.

4 (2) (a) With respect to contracts providing for
5 flexible considerations, the minimum nonforfeiture amount at
6 any time at or prior to the commencement of any annuity
7 payments shall be equal to an accumulation up to such time
8 at a rate of interest of 3% a year of percentages of the net
9 considerations (as hereinafter defined) paid prior to such
10 time, decreased by the sum of any prior withdrawals from or
11 partial surrenders of the contract accumulated at a rate of
12 interest of 3% a year and the amount of any indebtedness to
13 the company on the contract, including interest due and
14 accrued, and increased by existing additional amounts
15 credited by the company to the contract.

16 (b) The net consideration for a given contract year
17 used to define the minimum nonforfeiture amount shall be an
18 amount not less than zero and shall be equal to the
19 corresponding gross considerations credited to the contract
20 during that contract year less an annual contract charge of
21 \$30 and less a collection charge of \$1.25 per consideration
22 credited to the contract during that contract year. The
23 percentages of net consideration shall be 65% of the net
24 consideration for the first contract year and 87 1/2% of the
25 net consideration for the second and later contract years.

1 Notwithstanding the provisions of the preceding sentence,
2 the percentage shall be 65% of the portion of the total net
3 consideration for any renewal contract year which exceeds by
4 not more than two times the sum of those portions of the net
5 consideration in all prior contract years for which the
6 percentage was 65%.

7 (3) With respect to contracts providing for fixed
8 schedule consideration, minimum nonforfeiture amounts shall
9 be calculated on the assumption that consideration is paid
10 annually in advance and shall be defined as for contracts
11 with flexible payments of consideration which are paid
12 annually with two exceptions:

13 (a) The portion of the net consideration for the first
14 contract year to be accumulated shall be the sum of 65% of
15 the net consideration for the first contract year plus
16 22 1/2% of the excess of the net consideration for the first
17 contract year over the lesser of the net considerations for
18 the second and third contract years.

19 (b) The annual contract charge shall be the lesser of
20 \$30 or 10% of the gross annual consideration.

21 (4) With respect to contracts providing for a single
22 consideration, minimum nonforfeiture amounts shall be
23 defined as for contracts with flexible payments of
24 consideration except that the percentage of net
25 consideration used to determine the minimum nonforfeiture

1 amount shall be equal to 90% and the net consideration shall
2 be the gross consideration less a contract charge of \$75.

3 NEW SECTION. Section 13. Present value to equal
4 minimum nonforfeiture amount. Any paid-up annuity benefit
5 available under a contract shall be such that its present
6 value on the date annuity payments are to commence is at
7 least equal to the minimum nonforfeiture amount on that
8 date. Such present value shall be computed using the
9 mortality table, if any, and the interest rate specified in
10 the contract for determining the minimum paid-up annuity
11 benefits guaranteed in the contract.

12 NEW SECTION. Section 14. Cash surrender benefits. For
13 contracts which provide cash surrender benefits, such cash
14 surrender benefits available prior to maturity shall not be
15 less than the present value as of the date of surrender of
16 that portion of the maturity value of the paid-up annuity
17 benefit which would be provided under the contract at
18 maturity arising from considerations paid prior to the time
19 of cash surrender reduced by the amount appropriate to
20 reflect any prior withdrawals from or partial surrenders of
21 the contract, such present value being calculated on the
22 basis of an interest rate not more than 1% higher than the
23 interest rate specified in the contract for accumulating the
24 net considerations to determine such maturity value,
25 decreased by the amount of any indebtedness to the company

1 on the contract, including interest due and accrued, and
2 increased by any existing additional amounts credited by the
3 company to the contract. No cash surrender benefit may be
4 less than the minimum nonforfeiture amount at that time. The
5 death benefit under such contracts shall be at least equal
6 to the cash surrender benefit.

7 NEW SECTION. Section 15. Paid-up annuity benefits.
8 For contracts which do not provide cash surrender benefits,
9 the present value of any paid-up annuity benefit available
10 as a nonforfeiture option at any time prior to maturity may
11 not be less than the present value of that portion of the
12 maturity value of the paid-up annuity benefit provided under
13 the contract arising from considerations paid prior to the
14 time the contract is surrendered in exchange for or changed
15 to a deferred paid-up annuity, such present value being
16 calculated for the period prior to the maturity date on the
17 basis of the interest rate specified in the contract for
18 accumulating the net considerations to determine such
19 maturity value and increased by any existing additional
20 amounts credited by the company to the contract. For
21 contracts which do not provide any death benefits prior to
22 the commencement of any annuity payments, such present
23 values shall be calculated on the basis of such interest
24 rate and the mortality table specified in the contract for
25 determining the maturity value of the paid-up annuity

1 benefit. However, the present value of a paid-up annuity
2 benefit may not be less than the minimum nonforfeiture
3 amount at that time.

4 NEW SECTION. Section 16. Maturity date. For the
5 purpose of determining the benefits calculated under
6 [sections 14 and 15], in the case of annuity contracts under
7 which an election may be made to have annuity payments
8 commence at optional maturity dates, the maturity date is
9 the latest date for which election is permitted by the
10 contract but may not be later than the anniversary of the
11 contract next following the annuitant's 70th birthday or the
12 10th anniversary of the contract, whichever is later.

13 NEW SECTION. Section 17. Statement of noninclusion of
14 certain death benefits. Any contract which does not provide
15 cash surrender benefits or does not provide death benefits
16 at least equal to the minimum nonforfeiture amount prior to
17 the commencement of any annuity payments shall include a
18 statement in a prominent place in the contract that such
19 benefits are not provided.

20 NEW SECTION. Section 18. Adjusted benefit. Any
21 paid-up annuity, cash surrender, or death benefits available
22 at any time other than on the contract anniversary under any
23 contract with fixed scheduled consideration shall be
24 calculated with allowance for the lapse of time and the
25 payment of any scheduled consideration beyond the beginning

1 of the contract year in which cessation of payment of
2 consideration under the contract occurs.

3 NEW SECTION. Section 19. Calculation of benefits --
4 special benefits excluded. For any contract which provides,
5 within the same contract by rider or supplemental contract
6 provision, both annuity benefits and life insurance benefits
7 that are in excess of the greater of cash surrender benefits
8 or a return of the gross consideration paid with interest,
9 the minimum nonforfeiture benefits shall be equal to the sum
10 of the minimum nonforfeiture benefits for the annuity
11 portion and the minimum nonforfeiture benefits, if any, for
12 the life insurance portion computed as if each portion were
13 a separate contract. Notwithstanding the provisions of
14 [sections 13 through 16, and 18], additional benefits
15 payable in the event of total and permanent disability or as
16 reversionary annuity or deferred reversionary annuity
17 benefits or as other policy benefits additional to life
18 insurance, endowment, and annuity benefits, and
19 considerations for all such additional benefits shall be
20 disregarded in ascertaining the minimum nonforfeiture
21 amounts, paid-up annuity, cash surrender, and death benefits
22 that may be required by this section. The inclusion of such
23 additional benefits shall not be required in any paid-up
24 benefits, unless such additional benefits separately would
25 require minimum nonforfeiture amount paid-up annuity, cash

1 surrender, and death benefits.

2 NEW SECTION. Section 20. Operative date. After July
 3 1, 1979, any company may file with the commission a written
 4 notice of its election to comply with the provisions of this
 5 section after a specified date before July 1, 1981. After
 6 the filing of such notice, then upon such specified date,
 7 which shall be the operative date of this section for such
 8 company, this section shall become operative with respect to
 9 annuity contracts thereafter issued by such company. If a
 10 company makes no such election, the operative date of this
 11 section for such company shall be July 1, 1981.

-End-

SB 94

BUSINESS & INDUSTRY

COMMITTEE

NOTIFICATION SHEET

Bill #	Date Hearing	Committee Members	Sponsor	Chief Clerk		Received from Sgt. at Arms
B 545	2/12	2/9	CONROY	2/8	2/12 DNP	2/5
B 557	2/9	2/5	UHDE	2/5	2/9 DNP	2/5
B 566	2/12	2/5	VINCENT	2/8	2/12 DP	2/6
B 80	3/8	3/3	HAZELBAKER	3/1	3/8 BCI	2/6 fiscal
B 83	3/9	3/3	DOVER	3/1	3/9 BCI	2/6
B 94	3/9	3/3	HAZELBAKER	3/1	3/9 BCI	2/6
B 92	3/9	3/3	BLAYLOCK	3/1	3/9 BCI	2/6
B 82	2/28	2/23	REGEN	2/22	2/28 BCI	2/6
B 572	2/13	2/10	MANUEL	2/10	2/13 DNP	2/7 fiscal note
B 594	2/14	2/10	SCULLY	2/10	2/14 DP	2/7 fiscal note
B 595	2/14	2/10	SCULLY	2/10	2/14 DNP	2/7 fiscal note
B 597	2/14	2/10	GERKE	2/10	2/14 DP	2/7 fiscal note
B 598	2/14	2/10	GERKE	2/10	2/14 AADP	2/7 fiscal note
B 599	2/13	2/10	ELLERD	2/10	2/13 D P	2/7 fiscal note
B 601	2/16	2/14	ELLERD	2/13	2/16 TABLED	2/7 fiscal note
B 606	passed out of comm.		ELLIS			2/7 fiscal note
B 101	3/5	3/3	HAZELBAKER	3/1	3/5 BCI	2/7
B 622	2/10	2/7	BERTELSEN	2/7	2/10 DNP	2/8
B 631	2/13	2/10	BURNETT	2/10	2/13 DNP	2/8 fiscal note
B 62	2/28	2/23	LOWE	2/22	BCI	2/8
B 157	3/1	2/23	SMITH	2/22	2/28 BCI	2/8
B 81	3/8	3/3	DOVER	3/1	3/8 BCI	2/9
B 84	2/28	2/23	BLAYLOCK	2/22	2/28 BCI	2/9
B 649	2/13	2/10	KEMMIS	2/10	2/20 DP	2/9
B 650	2/13	2/10	PAVLOVICH	2/10	2/13 DP	2/9
B 658	2/16	1/13	MENAHAN	2/13	2/15 DNP	2/9

March 9, 1979
Business & Industry
46th Legislative Session

The House Business & Industry Committee held a meeting at 9:00 a.m. in room 437, March 9, 1979. All members were present except Rep. Vincent and Rep. Kessler who were excused.

Hearing was opened on SB 85.

Senator Kolstad, sponsor, introduced the bill to the committee. The bill would "amend section 33-5-401, MCA, increasing the surplus fund requirements of reciprocal insurers".

Jo Driscoll, representing the Commissioner of Insurance office, arose in support of the bill and stated that she would be available to answer questions concerning any of the bills being heard by the committee today.

There were no opponents to SB 85.

Chairman Quilici asked the committee if they had questions. Being none, Senator Kolstad closed on SB 85.

SB 83

Senator Dover, sponsor, introduced the bill to the committee. The bill would provide for "regulation and registration of persons who collect charges or premiums or adjust or settle claims on life or health insurance policies or annuities of residents of Montana".

Les Lobel, American Council of Life Insurance, appeared in support of SB 83. He said that the council which represents about 93% of all life insurance written in the United States was in favor of the bill. He said there is a growing need for these services but there must be regulation.

There were no opponents to SB 83.

Chairman Quilici called for questions from the committee.

Senator Dover closed.

SB 93

Senator Lowe, sponsor, explained the bill to the committee. The bill would generally revise the laws relating to "insurance agents, solicitors, adjusters, and consultants". He said the bill would provide the licensing of non resident partnership or corporations. It will also eliminate the discriminatory language on the application for licenses. The bill would also require applicants to be qualified before

a license is issued. (doing away with temporary licensing pending examinations).

There were no opponents to SB 93.

Questions from the committee followed.

Senator Lowe closed on SB 93. He mentioned that one of the concerns brought up in the Senate had been the banks involvement with this legislation. He said that a thorough investigation was given to this matter and there were no problems.

SB 92

Senator Blaylock, sponsor, introduced the bill to the committee. He turned the testimony over to Jo Driscoll from the Insurance Commissioners office. She explained that the intent of the bill is to revise the license fee schedule relating to the insurance industry and to revise the terminology for renewal licenses. This bill would change the renewal fee from \$100 to \$10.

There were no opponents to SB 92

Chairman Quilici called for questions from the committee.

Senator Blaylock closed on SB 92

SB 94

Senator Hazelbaker, sponsor, explained the bill to the committee. The bill is an act to "revise the law relating to standard valuation and standard nonforfeiture in life insurance". He said that this legislation had been recommended by the National Assoc. of Insurance Commissioners some time ago.

Les Lobel arose in support of the bill.

There were no opponents to SB 94

Questions from the committee followed.

Senator Hazelbaker closed on SB 94.

EXECUTIVE SESSION:

Rep. Tropila made a motion that SB 94 NOT BE CONCURRED IN.
Following Discussion:

Rep. Ellison made a sub-motion that SB 94 BE CONCURRED IN.
A vote was called and carried unanimously with two members
absent.

Rep. Tropila will carry SB 94 in the House.

SB 93

Rep. Harper moved that SB 93 BE CONCURRED IN.
Discussion on the motion followed, A vote carried
unanimously.

Rep. Harper will carry the bill in the House.

SB 92

Rep. Metcalf moved that SB 92 BE CONCURRED IN. Discussion
on the motion followed. A vote was taken and carried
16 - 1 with 2 absent. Rep. Tropila voted no.

Rep. Metcalf will carry the bill in the House.

SB 83

Rep. Meyer made a motion that SB 83 BE CONCURRED IN.
Following discussion a vote was taken and carried
unanimously.

Rep. Meyer will carry the bill in the House.

SB 85

Rep. Harper moved that SB 85 BE CONCURRED IN. Following
discussion a vote was called and carried unanimously.

Rep. Ellerd will carry SB 85 in the House.

Chairman Quilici said that the committee would meet Tuesday
March 13, to take executive action on SB 302.

Motion was made to adjourn at 9:55 a.m.

Respectfully submitted,


JOE QUILICI, Chairman

Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron,
Williams, Wood, Wyrick, Mr. Speaker.
Total 84

Noes: Brand, Burnett, Ellison, Harper, Quilici.
Total 5

Excused: Gesek, Jensen, Lund, Moore, Pistoria, Yardley.
Total 6

Absent or not voting: Bertelsen, Ellis, Iverson, Reichert, Shelden.
Total 5

SECOND READING OF BILLS (COMMITTEE OF THE WHOLE)

Dussault moved that the House resolve itself into a Committee of the Whole, for the consideration of business on Second Reading. Motion carried.

Bennett in the Chair. Committee arose.

House resumed. Mr. Speaker in the Chair.

Mr. Speaker: We, your Committee of the Whole, having had under consideration business on Second Reading, recommend as follows:

That SB 304 be concurred in. (84-0)

That SB 406 be concurred in. (53-34)

That SB 83 be concurred in. (77-1)

That SB 85 be concurred in. (81-0)

Moore, Pistoria present at this time.

That SB 92 be concurred in. (84-0)

That SB 93 be concurred in. (80-0)

That SB 94 be concurred in. (83-1)

That SB 126 be concurred in. (78-0)

That SB 149 be concurred in. (88-0)

Lund, Gesek, Yardley present at this time.

That SB 155, third reading copy, second printing, be amended as follows: (87-6)

1. Page 1.

Following: line 19

Insert: "(1) an individual employed as an outside buyer of poultry eggs, cream, or milk, in their raw or natural state;"

Renumber: subsequent subsections

2. Page 1, line 25.

Following: "trucks,"

Insert: "mobile homes, recreational vehicles,"

3. Page 2.

Following: line 8

Insert: "(4) a mechanic primarily engaged in servicing farm implements;"

4. Page 4.

Following: line 5

Insert: "(5) an employee employed in planting or tending trees; cruising, surveying, or felling timber; or transporting logs or other forestry products to a mill, processing plant, railroad, or other transportation terminal if the number of employees employed by his employer in such forestry or lumbering operations does not exceed eight."

And as amended, be concurred in. (88-5)

That SB 203 be concurred in. (77-3)

That SB 261 be concurred in. (58-39)

Uhde moved that SB 262 and HB 402 pass consideration until the Sixtieth Legislative Day. Motion carried.

That SB 273 be concurred in. (53-33)

Jensen present at this time.

That SB 276 be concurred in. (74-13)

That SB 410 be concurred in. (81-0)

That SB 456 be concurred in. (78-0)

That SB 497 be concurred in. (81-3)

That SB 504 be concurred in. (76-0)

That SJR 18 be concurred in. (68-12)

South, Moore, Kvaalen excused at this time.

That SJR 21 be concurred in. (65-21)

That HB 411, second reading copy, be amended as follows: (81-0)

1. Title, line 6.

Following: "MCA"

Insert: "; AND PROVIDING AN EFFECTIVE DATE"

2. Page 1.

Following: line 19

Insert: "Section 2. Effective date. This act is effective upon passage and approval."

And as amended, do pass. (78-1)

That HB 630 do pass. (86-2)

That HB 702 do pass. (76-0)

That HB 768 do pass. (85-1)

Keyser excused at this time.

That HB 852, second reading copy, be amended as follows: (77-5)

1. Page 17.

Following: line 4

Insert: "SECTION 27. THERE IS A NEW MCA SECTION THAT READS:

Effect on other law. [This act] does not expand any form of gambling currently authorized by law or legalize any form of gambling not currently authorized by law.

Kemmis, Kessler, Keyser, Kropp, Kvaalen, Lien, Lory, Lund, McBride, Magone, Manning, Manuel, Marks, Menahan, Metcalf, Meyer, Moore, Nathe, Oberg, O'Connell, Pavlovich, Pistoria, Porter, Quilici, Ramirez, Reichert, H. Robbins, K. Robbins, Rosenthal, Roth, Sales, Schultz, Seifert, Shelden, Sivertsen, Smith, Spilker, Staigmler, Stobie, Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron, Williams, Wood, Wyrick, Yardley, Mr. Speaker.

Total 92

Noes: None.

Total 0

Excused: Conroy, Harper, Hurwitz, Nordtvedt.

Total 4

Absent or not voting: Bardanouve, Huennekens, Scully, South.

Total 4

Senate Bill No. 85 was concurred in by the following vote:

Ayes: Anderson, Azzara, Baeth, Bennett, Bertelsen, Brand, Burnett, Cooney, Curtiss, Daily, Dassinger, Day, Donaldson, Dozier, Dussault, Ellerd, Ellis, Ellison, Ernst, Eudaily, Fabrega, Fagg, Feda, Frates, Gesek, Gilligan, Gould, Hand, Harrington, Hayne, Hemstad, Hirsch, Holmes, Iverson, Jensen, Johnson, Johnston, Kanduch, Keedy, Kemmis, Kessler, Keyser, Kropp, Kvaalen, Lien, Lory, Lund, McBride, Magone, Manning, Manuel, Marks, Menahan, Metcalf, Meyer, Moore, Nathe, Oberg, O'Connell, Pavlovich, Pistoria, Porter, Quilici, Ramirez, Reichert, H. Robbins, K. Robbins, Rosenthal, Roth, Sales, Schultz, Seifert, Shelden, Sivertsen, Smith, Spilker, Staigmler, Stobie, Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron, Williams, Wood, Wyrick, Yardley, Mr. Speaker.

Total 91

Noes: None.

Total 0

Excused: Conroy, Harper, Hurwitz, Nordtvedt.

Total 4

Absent or not voting: Bardanouve, Bengtson, Huennekens, Scully, South.

Total 5

Senate Bill No. 92 was concurred in by the following vote:

Ayes: Anderson, Azzara, Baeth, Bengtson, Bennett, Bertelsen, Brand, Burnett, Cooney, Curtiss, Daily, Dassinger, Day, Donaldson, Dozier, Dussault, Ellerd, Ellis, Ellison, Ernst, Eudaily, Fabrega, Fagg, Feda, Frates, Gesek, Gilligan, Gould, Hand, Harrington, Hayne, Hemstad, Hirsch, Holmes, Huennekens, Iverson, Jensen, Johnson, Johnston, Kanduch, Keedy, Kemmis, Kessler, Keyser, Kropp, Kvaalen, Lien, Lory, Lund, McBride, Magone, Manning, Manuel, Marks, Menahan, Metcalf, Meyer, Moore, Nathe, Oberg, O'Connell, Pavlovich, Pistoria, Porter, Quilici, Ramirez, Reichert, H. Robbins, K. Robbins, Rosenthal, Roth, Sales, Schultz, Seifert, Shelden, Sivertsen, Smith, Spilker, Staigmler, Stobie, Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron, Williams, Wood, Wyrick, Yardley, Mr. Speaker.

Total 93

Noes: None.

Total 0

Excused: Conroy, Harper, Hurwitz, Nordtvedt.

Total 4

Absent or not voting: Bardanouve, Scully, South.

Total 3

Senate Bill No. 93 was concurred in by the following vote:

Ayes: Anderson, Azzara, Baeth, Bengtson, Bennett, Bertelsen, Brand, Burnett, Cooney, Curtiss, Daily, Dassinger, Day, Donaldson, Dozier, Dussault, Ellerd, Ellis, Ellison, Ernst, Eudaily, Fabrega, Fagg, Feda, Frates, Gesek, Gilligan, Gould, Hand, Harrington, Hayne, Hemstad, Hirsch, Holmes, Huennekens, Iverson, Jensen, Johnson, Johnston, Kanduch, Keedy, Kemmis, Kessler, Keyser, Kropp, Kvaalen, Lien, Lory, Lund, McBride, Magone, Manning, Manuel, Marks, Menahan, Metcalf, Meyer, Moore, Nathe, Oberg, O'Connell, Pavlovich, Pistoria, Porter, Quilici, Ramirez, Reichert, H. Robbins, K. Robbins, Rosenthal, Roth, Sales, Schultz, Seifert, Shelden, Sivertsen, Smith, Spilker, Staigmler, Stobie, Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron, Williams, Wood, Wyrick, Yardley, Mr. Speaker.

Total 93

Noes: None.

Total 0

Excused: Conroy, Harper, Hurwitz, Nordtvedt.

Total 4

Absent or not voting: Bardanouve, Scully, South.

Total 3

Senate Bill No. 94 was concurred in by the following vote:

Ayes: Anderson, Azzara, Baeth, Bengtson, Bennett, Brand, Burnett, Cooney, Curtiss, Daily, Dassinger, Day, Donaldson, Dozier, Dussault, Ellerd, Ellis, Ellison, Ernst, Eudaily, Fabrega, Fagg, Feda, Frates, Gesek, Gilligan, Gould, Hand, Harrington, Hayne, Hemstad, Hirsch, Holmes, Huennekens, Iverson, Jensen, Johnson, Johnston, Kanduch, Keedy, Kemmis, Kessler, Keyser, Kropp, Kvaalen, Lien, Lory, Lund, McBride, Magone, Manning, Manuel, Marks, Menahan, Metcalf, Meyer, Moore, Nathe, O'Connell, Pavlovich, Pistoria, Porter, Quilici, Ramirez, Reichert, H. Robbins, K. Robbins, Rosenthal, Roth, Sales, Schultz, Seifert, Shelden, Sivertsen, Smith, Spilker, Staigmler, Stobie, Teague, Thoft, Tropila, Uhde, Underdal, Vincent, Vinger, Waldron, Williams, Wood, Wyrick, Yardley, Mr. Speaker.

Total 91

Noes: None.

Total 0

Excused: Conroy, Harper, Hurwitz, Nordtvedt.

Total 4

Absent or not voting: Bardanouve, Bertelsen, Oberg, Scully, South.

Total 5

Senate Bill No. 97 was concurred in by the following vote:

Ayes: Anderson, Azzara, Baeth, Bengtson, Brand, Burnett, Cooney, Curtiss, Daily, Dassinger, Day, Dozier, Ellerd, Ellis, Ellison, Ernst, Eudaily, Gesek, Gilligan, Gould, Harrington, Hayne, Iverson, Jensen, Johnson, Kanduch, Keedy, Keyser, Kvaalen, Lien, Manning, Manuel, Marks, Menahan, Moore, Nathe, Pistoria, K. Robbins, Shelden, Spilker, Stobie, Thoft, Tropila, Uhde, Waldron, Williams, Wood, Mr. Speaker.

3rd Reading

SENATE BILL NO. 94

INTRODUCED BY HAZELBAKER, DOVER

BY REQUEST OF THE COMMISSIONER OF INSURANCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUITY MORTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION OF ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES; AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201, 33-20-206, AND 33-20-207, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-2-523, MCA, is amended to read:

"33-2-523. Contracts on or after the operative date of 33-20-213 -- valuation. (1) This section shall apply to only those policies and contracts issued on or after the operative date of 33-20-213, except as otherwise provided in 33-2-524 for group annuity and pure endowment contracts issued prior to that date.

(2) Except as otherwise provided in 33-2-524, the minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation method ~~methods~~ defined in 33-2-525, and ~~32-2-526(3), 52~~

~~interest for group annuity and pure endowment contracts and 3 1/2% interest for all other such policies and contracts~~ or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after March 17, 1973, ~~and prior to January 1, 1986, 4% interest for such policies issued prior to July 1, 1979, and 4 1/2% interest for such policies issued on or after July 1, 1979,~~ and the following tables:

(a) for all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the commissioner's 1941 standard ordinary mortality table for such policies issued prior to the operative date of 33-20-206, as amended, and the commissioner's 1958 standard ordinary mortality table for such policies issued on or after that operative date, except that for any category of such policies issued on female risks, modified net premiums and present values, referred to in 33-2-525 and ~~33-2-526~~, may be calculated, at the option of the insurer with the approval of the commissioner, according to an age younger than the actual age of the insured;

(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the 1941 standard industrial mortality table for such policies issued

1 prior to the operative date of 33-20-207, as amended, and
2 the commissioner's 1961 standard industrial mortality table
3 for such policies issued on or after that operative date;

4 (c) for individual annuity and pure endowment
5 contracts, excluding any disability and accidental death
6 benefits in such policies, the 1937 standard annuity
7 mortality table or, at the option of the insurer, the
8 annuity mortality table for 1949, ultimate, or any
9 modification of either of these tables approved by the
10 commissioner;

11 (d) for group annuity and pure endowment contracts,
12 excluding any disability and accidental death benefits in
13 such policies, the group annuity mortality table for 1951,
14 any modification of such table approved by the commissioner,
15 or, at the option of the insurer, any of the tables or
16 modifications of tables specified for individual annuity and
17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
19 or supplementary to ordinary policies or contracts:

20 (A) for policies or contracts issued on or after
21 January 1, 1966, the tables of period 2 disablement rates
22 and the 1930 to 1950 termination rates of the 1952
23 disability study of the society of actuaries, with due
24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

1 January 1, 1961, and prior to January 1, 1966, either such
2 tables or, at the option of the insurer, the class 3
3 disability table (1926); and

4 (C) for policies issued prior to January 1, 1961, the
5 class 3 disability table (1926);

6 (ii) any such table shall, for active lives, be
7 combined with a mortality table permitted for calculating
8 the reserves for life insurance policies;

9 (f) (i) for accidental death benefits in or
10 supplementary to policies:

11 (A) for policies issued on or after January 1, 1966,
12 the 1959 accidental death benefits table;

13 (B) for policies issued on or after January 1, 1961,
14 and prior to January 1, 1966, either such table or, at the
15 option of the insurer, the intercompany double indemnity
16 mortality table; and

17 (C) for policies issued prior to January 1, 1961, the
18 intercompany double indemnity mortality table;

19 (ii) either table shall be combined with a mortality
20 table permitted for calculating the reserves for life
21 insurance policies;

22 (g) for group life insurance, life insurance issued on
23 the substandard basis and other special benefits, such
24 tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to read:

*33-2-524. Individual and group annuity and pure endowment contracts -- valuation. (1) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after [the operative date of this section], as defined herein, and for all annuities and pure endowments purchased on or after that operative date, under group annuity and pure endowment contracts shall be the commissioner's reserve valuation method methods defined in 33-2-525 and the following tables and interest rates:

(a) for individual annuity and pure endowment contracts issued prior to January--iv--1986 July 1, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 6% interest for single premium immediate annuity contracts and 4% interest for all other individual annuity and pure endowment contracts;

(b) for--individual--annuity--and--pure--endowment contracts--issued-on-or-after-January-iv-1986--excluding-any disability-and-accidental-death-benefits-in-such--contracts, the---1971---individual---annuity--mortality--table--or--any modification-of-the-table-approved-by-the--commissioner--and 3-1/2%--interest, for individual single premium immediate annuity contracts issued on or after July 1, 1979, excluding

any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 7 1/2% interest;

(c) for individual annuity and pure endowment contracts issued on or after July 1, 1979, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table or any modification of this table approved by the commissioner and 5 1/2% interest for single premium deferred annuity and pure endowment contracts and 4 1/2% interest for all other such individual annuity and pure endowment contracts;

(d) for all annuities and pure endowments purchased prior to January-iv-1986 July 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 group annuity mortality table or any modification of the table approved by the commissioner and 6% interest;

(e) for all annuities and pure endowments purchased on or after January--iv--1986 July 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 group annuity mortality table or any modification of this table approved by the commissioner

1 and 3-1/2% 1-1/2% interest.

2 (2) After March 17, 1973, any insurer may file with
3 the commissioner a written notice of its election to comply
4 with the provisions of subsection (1) after a specified date
5 before January 1, 1979, which shall be the operative date of
6 subsection (1) for such insurer. An insurer may elect a
7 different operative date for individual annuity and pure
8 endowment contracts from that elected for group annuity and
9 pure endowment contracts. If an insurer makes no such
10 election, the operative date of this section for such
11 insurer shall be January 1, 1979."

12 Section 3, Section 33-2-525, MCA, is amended to read:

13 "33-2-525. Commissioner's reserve valuation method.

14 (1) ~~Reserves Except as otherwise provided in subsection (3)~~
15 ~~and 33-2-526(3), reserves~~ according to the commissioner's
16 reserve valuation method, for the life insurance and
17 endowment benefits of policies providing for a uniform
18 amount of insurance and requiring the payment of uniform
19 premiums, shall be the excess, if any, of the present value,
20 at the date of valuation, of such future guaranteed benefits
21 provided for by such policies, over the then present value
22 of any future modified net premiums therefor. The modified
23 net premiums for any such policy shall be such uniform
24 percentage of the respective contract premiums for such
25 benefits that the present value, at the date of issue of the

1 policy, of all such modified net premiums shall be equal to
2 the sum of the then present value of such benefits provided
3 for by the policy and the excess of (a) over (b), as
4 follows:

5 (a) a net level annual premium equal to the present
6 value, at the date of issue, of such benefits provided for
7 after the first policy year, divided by the present value,
8 at the date of issue of an annuity of one per annum payable
9 on the first and each subsequent anniversary of such policy
10 on which a premium falls due; provided, however, that such
11 net level annual premium shall not exceed the net level
12 annual premium on the 19-year premium whole life plan for
13 insurance of the same amount at an age 1 year higher than
14 the age at issue of such policy;

15 (b) a net 1-year term premium for such benefits
16 provided for in the first policy year.

17 (2) Reserves according to the commissioner's reserve
18 valuation method for the following shall be calculated by a
19 method consistent with the principles of this section,
20 except that any extra premiums charged because of
21 impairments or special hazards shall be disregarded in the
22 determination of modified net premiums:

23 (a) life insurance policies providing for a varying
24 amount of insurance or requiring the payment of varying
25 premiums;

(b) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended;

(c) disability and accidental death benefits in all policies and contracts; and

(d) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums and benefits provided by all other annuity and pure endowment contracts.

(3) (a) Subsection (3)(b) applies to any annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal

Revenue Code, as now or hereafter amended.

(b) Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present values, at the date of valuation, of any future valuation considerations derived from future gross considerations required by the terms of such contract that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values."

Section 4. Section 33-2-526, MCA, is amended to read:

"33-2-526. Limits -- options -- deficiency minimum reserves. (1) In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method

1 methods set forth in 33-2-525 and subsection (3) of this
2 section and the mortality table or tables and rate or rates
3 of interest used in calculating nonforfeiture benefits for
4 such policies.

5 (2) Reserves for any category of policies, contracts,
6 or benefits as established by the commissioner may be
7 calculated at the option of the insurer according to any
8 standards which produce greater aggregate reserves for such
9 category than those calculated according to the minimum
10 standard herein provided, but the rate or rates of interest
11 used for policies and contracts other than annuity and pure
12 endowment contracts shall not be higher than the
13 corresponding rate or rates of interest used in calculating
14 any nonforfeiture benefits provided for therein. Provided,
15 however, that reserves for participating life insurance
16 policies may with the consent of the commissioner be
17 calculated according to a rate of interest lower than the
18 rate of interest used in calculating the nonforfeiture
19 benefits in such policies if such lower rate differs from
20 the rate used in the calculation of the nonforfeiture
21 benefits by more than 1/2 of 1% the insurer issuing such
22 policies shall file with the commissioner a plan providing
23 for such equitable increases if any in the cash surrender
24 values and nonforfeiture benefits in such policies as the
25 commissioner shall approve.

1 (3) If in any contract year the gross premium charged
2 by any life insurer on any policy or contract is less than
3 the valuation net premium for the policy or contract
4 according to the mortality tables rate of interest and
5 calculated by the method used in calculating the reserve
6 thereon, there shall be maintained on such policy or
7 contract a deficiency reserve in addition to all other
8 reserves required by law for such policy or contract
9 the deficiency reserve shall be the present value according
10 to such standards of an annuity of the difference between
11 such net premium and the premium charged for such policy or
12 contract running for the remainder of the premium paying
13 period but using the minimum valuation standards of
14 mortality and rate of interest the minimum reserve required
15 for such policy or contract shall be the greater of either
16 the reserve calculated according to the mortality tables
17 rate of interest and method actually used for such policy
18 or contract or the reserve calculated by the method actually
19 used for such policy or contract but using the minimum
20 standards of mortality and rate of interest and replacing
21 the valuation net premium by the actual gross premium in
22 each contract year for which the valuation net premium
23 exceeds the actual gross premium."

24 Section 5. Section 33-20-201, MCA, is amended to read:
25 "33-20-201. Short title. This part shall be known as

1 ~~"The the "Standard Nonforfeiture Law for Life Insurance"."~~

2 Section 6. Section 33-20-206, MCA, is amended to read:

3 "33-20-206. Mortality tables -- policies issued after
4 operative date. (1) In the case of ordinary policies issued
5 on or after the operative date of this section as defined
6 herein, all adjusted premiums and present values referred to
7 in this part shall be calculated on the basis of the
8 commissioners ~~commissioner's~~ 1958 standard ordinary
9 mortality table and the rate of interest specified in the
10 policy for calculating cash surrender values and paid-up
11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed 3 1/2% per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to ~~January 1, 1966~~ July 1, 1979, and a rate
16 of interest not exceeding 5 1/2% a year may be used for
17 policies issued on or after July 1, 1979;

18 (b) for any category of ordinary insurance issued on
19 female risks, adjusted premiums and present values may be
20 calculated according to an age not more than 3 1/2 years
21 younger than the actual age of the insured;

22 (c) in calculating the present value of any paid-up
23 term insurance with accompanying pure endowment, if any,
24 offered as a nonforfeiture benefit, the rates of mortality
25 assumed may be not more than those shown in the

1 commissioners ~~commissioner's~~ 1958 extended term insurance
2 table;

3 (d) for insurance issued on a substandard basis, the
4 calculation of any such adjusted premiums and present values
5 may be based on such other table of mortality as may be
6 specified by the company and approved by the commissioner.

7 (2) After July 1, 1961, any insurer may file with the
8 commissioner a written notice of its election to comply with
9 the provisions of this section after a specified date before
10 January 1, 1966. After the filing of such notice, then upon
11 such specified date (which shall be the operative date of
12 this section for such insurer), this section shall become
13 operative with respect to the ordinary policies thereafter
14 issued by such insurer. If an insurer makes no such
15 election, the operative date of this section for such
16 insurer shall be January 1, 1966."

17 Section 7. Section 33-20-207, MCA, is amended to read:

18 "33-20-207. Industrial policies -- mortality tables.

19 (1) In the case of industrial policies issued on or after
20 the operative date of this section as defined herein, all
21 adjusted premiums and present values referred to in this
22 part shall be calculated on the basis of ~~commissioners~~
23 ~~commissioner's~~ 1961 standard industrial mortality table and
24 the rate of interest specified in the policy for calculating
25 cash surrender values and paid-up nonforfeiture benefits

provided that:

(a) such rate of interest shall not exceed $3\frac{1}{2}\%$ per annum except that a rate of interest not exceeding 4% per annum may be used for policies issued on or after March 17, 1973, and prior to January 1, 1986 ~~July 1, 1979, and a rate of interest not exceeding $3\frac{1}{2}\%$ a year may be used for policies issued on or after July 1, 1979;~~

(b) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the ~~commissioner's~~ 1961 industrial extended term insurance tables;

(c) for insurance issued on a substandard basis the calculations of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

(2) After February 22, 1965, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this section for such insurer), this section shall become operative with respect to the industrial policies

thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be January 1, 1968.*

~~NEW SECTION.~~ Section 8. Short title. [Sections 8 through 20] shall be known as the "Standard Nonforfeiture Law for Individual Deferred Annuities".

~~NEW SECTION.~~ Section 9. Application. [Sections 8 through 20] do not apply to any reimbursement group annuity purchased under a retirement plan, or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended; premium deposit funds; variable annuity; investment annuity; immediate annuity; any deferred annuity contract after annuity payments have commenced; or reversionary annuity or to any contract which is delivered outside this state through an agent or other representative of the company issuing the contract.

~~NEW SECTION.~~ Section 10. Nonforfeiture provisions. In the case of contracts issued on or after the operative date of [sections 8 through 20] as defined in [section 20], no contract of annuity except as stated in [section 9] shall be

delivered or issued for delivery in this state unless it contains in substance the following provisions or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

(1) that upon cessation of payment of considerations under a contract the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in [sections 13 through 16, and 18];

(2) that if a contract provides for a lump-sum settlement at maturity or at any other time, than upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in [sections 13, 14, 16, and 18]. The company shall reserve the right to defer the payment of such cash surrender benefit for a period of 6 months after demand therefor with surrender of the contract.

(3) a statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender, or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits;

(4) a statement that any paid-up annuity, cash

surrender, or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract, or any prior withdrawals from or partial surrenders of the contract.

NEW SECTION. Section 11. Exception. Notwithstanding the requirements of [section 10], any deferred annuity contract may provide that if no consideration has been received under a contract for a period of 2 full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from consideration paid prior to such period would be less than \$20 monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

NEW SECTION. Section 12. Minimum nonforfeiture amounts. (1) The minimum values as specified in [sections 13 through 16, and 18] of any paid-up annuity, cash surrender,

1 or death benefits available under an annuity contract shall
2 be based upon minimum nonforfeiture amounts as defined in
3 this section.

4 (2) (a) With respect to contracts providing for
5 flexible considerations, the minimum nonforfeiture amount at
6 any time at or prior to the commencement of any annuity
7 payments shall be equal to an accumulation up to such time
8 at a rate of interest of 3% a year of percentages of the net
9 considerations (as hereinafter defined) paid prior to such
10 time, decreased by the sum of any prior withdrawals from or
11 partial surrenders of the contract accumulated at a rate of
12 interest of 3% a year and the amount of any indebtedness to
13 the company on the contract, including interest due and
14 accrued, and increased by existing additional amounts
15 credited by the company to the contract.

16 (b) The net consideration for a given contract year
17 used to define the minimum nonforfeiture amount shall be an
18 amount not less than zero and shall be equal to the
19 corresponding gross considerations credited to the contract
20 during that contract year less an annual contract charge of
21 \$30 and less a collection charge of \$1.25 per consideration
22 credited to the contract during that contract year. The
23 percentages of net consideration shall be 65% of the net
24 consideration for the first contract year and 87 1/2% of the
25 net consideration for the second and later contract years.

1 Notwithstanding the provisions of the preceding sentence,
2 the percentage shall be 65% of the portion of the total net
3 consideration for any renewal contract year which exceeds by
4 not more than two times the sum of those portions of the net
5 consideration in all prior contract years for which the
6 percentage was 65%.

7 (3) With respect to contracts providing for fixed
8 schedule consideration, minimum nonforfeiture amounts shall
9 be calculated on the assumption that consideration is paid
10 annually in advance and shall be defined as for contracts
11 with flexible payments of consideration which are paid
12 annually with two exceptions:

13 (a) The portion of the net consideration for the first
14 contract year to be accumulated shall be the sum of 65% of
15 the net consideration for the first contract year plus
16 22 1/2% of the excess of the net consideration for the first
17 contract year over the lesser of the net considerations for
18 the second and third contract years.

19 (b) The annual contract charge shall be the lesser of
20 \$30 or 10% of the gross annual consideration.

21 (4) With respect to contracts providing for a single
22 consideration, minimum nonforfeiture amounts shall be
23 defined as for contracts with flexible payments of
24 consideration except that the percentage of net
25 consideration used to determine the minimum nonforfeiture

1 amount shall be equal to 90% and the net consideration shall
2 be the gross consideration less a contract charge of \$75.

3 NEW SECTION. Section 13. Present value to equal
4 minimum nonforfeiture amount. Any paid-up annuity benefit
5 available under a contract shall be such that its present
6 value on the date annuity payments are to commence is at
7 least equal to the minimum nonforfeiture amount on that
8 date. Such present value shall be computed using the
9 mortality table, if any, and the interest rate specified in
10 the contract for determining the minimum paid-up annuity
11 benefits guaranteed in the contract.

12 NEW SECTION. Section 14. Cash surrender benefits. For
13 contracts which provide cash surrender benefits, such cash
14 surrender benefits available prior to maturity shall not be
15 less than the present value as of the date of surrender of
16 that portion of the maturity value of the paid-up annuity
17 benefit which would be provided under the contract at
18 maturity arising from considerations paid prior to the time
19 of cash surrender reduced by the amount appropriate to
20 reflect any prior withdrawals from or partial surrenders of
21 the contract, such present value being calculated on the
22 basis of an interest rate not more than 1% higher than the
23 interest rate specified in the contract for accumulating the
24 net considerations to determine such maturity value,
25 decreased by the amount of any indebtedness to the company

1 on the contract, including interest due and accrued, and
2 increased by any existing additional amounts credited by the
3 company to the contract. No cash surrender benefit may be
4 less than the minimum nonforfeiture amount at that time. The
5 death benefit under such contracts shall be at least equal
6 to the cash surrender benefit.

7 NEW SECTION. Section 15. Paid-up annuity benefits.
8 For contracts which do not provide cash surrender benefits,
9 the present value of any paid-up annuity benefit available
10 as a nonforfeiture option at any time prior to maturity may
11 not be less than the present value of that portion of the
12 maturity value of the paid-up annuity benefit provided under
13 the contract arising from considerations paid prior to the
14 time the contract is surrendered in exchange for or changed
15 to a deferred paid-up annuity, such present value being
16 calculated for the period prior to the maturity date on the
17 basis of the interest rate specified in the contract for
18 accumulating the net considerations to determine such
19 maturity value and increased by any existing additional
20 amounts credited by the company to the contract. For
21 contracts which do not provide any death benefits prior to
22 the commencement of any annuity payments, such present
23 values shall be calculated on the basis of such interest
24 rate and the mortality table specified in the contract for
25 determining the maturity value of the paid-up annuity

1 benefit. However, the present value of a paid-up annuity
2 benefit may not be less than the minimum nonforfeiture
3 amount at that time.

4 NEW SECTION. Section 16. Maturity date. For the
5 purpose of determining the benefits calculated under
6 [sections 14 and 15], in the case of annuity contracts under
7 which an election may be made to have annuity payments
8 commence at optional maturity dates, the maturity date is
9 the latest date for which election is permitted by the
10 contract but may not be later than the anniversary of the
11 contract next following the annuitant's 70th birthday or the
12 10th anniversary of the contract, whichever is later.

13 NEW SECTION. Section 17. Statement of noninclusion of
14 certain death benefits. Any contract which does not provide
15 cash surrender benefits or does not provide death benefits
16 at least equal to the minimum nonforfeiture amount prior to
17 the commencement of any annuity payments shall include a
18 statement in a prominent place in the contract that such
19 benefits are not provided.

20 NEW SECTION. Section 18. Adjusted benefit. Any
21 paid-up annuity, cash surrender, or death benefits available
22 at any time other than on the contract anniversary under any
23 contract with fixed scheduled consideration shall be
24 calculated with allowance for the lapse of time and the
25 payment of any scheduled consideration beyond the beginning

1 of the contract year in which cessation of payment of
2 consideration under the contract occurs.

3 NEW SECTION. Section 19. Calculation of benefits --
4 special benefits excluded. For any contract which provides,
5 within the same contract by rider or supplemental contract
6 provision, both annuity benefits and life insurance benefits
7 that are in excess of the greater of cash surrender benefits
8 or a return of the gross consideration paid with interest,
9 the minimum nonforfeiture benefits shall be equal to the sum
10 of the minimum nonforfeiture benefits for the annuity
11 portion and the minimum nonforfeiture benefits, if any, for
12 the life insurance portion computed as if each portion were
13 a separate contract. Notwithstanding the provisions of
14 [sections 13 through 16, and 18], additional benefits
15 payable in the event of total and permanent disability or as
16 reversionary annuity or deferred reversionary annuity
17 benefits or as other policy benefits additional to life
18 insurance, endowment, and annuity benefits, and
19 considerations for all such additional benefits shall be
20 disregarded in ascertaining the minimum nonforfeiture
21 amounts, paid-up annuity, cash surrender, and death benefits
22 that may be required by this section. The inclusion of such
23 additional benefits shall not be required in any paid-up
24 benefits, unless such additional benefits separately would
25 require minimum nonforfeiture amount paid-up annuity, cash

1 surrender, and death benefits.
2 NEW SECTION. Section 20. Operative date. After July
3 1, 1979, any company may file with the commission a written
4 notice of its election to comply with the provisions of this
5 section after a specified date before July 1, 1981. After
6 the filing of such notice, then upon such specified date,
7 which shall be the operative date of this section for such
8 company, this section shall become operative with respect to
9 annuity contracts thereafter issued by such company. If a
10 company makes no such election, the operative date of this
11 section for such company shall be July 1, 1981.

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